

Canadians see red

The risks and rewards of doing business in China

by Joanne Pawluk and Gerald Lamoureaux

Canadian companies may not be charging towards markets in southern China, but they're carefully feeling their way through the business opportunities in this fast-growing region.

Guangdong, with a population of about 60 million, has experienced economic growth of approximately 18 per cent annually for the last decade, twice that of the rest of China.

"Despite the business opportunities provided by this fast-growing region, Canada has been a small player in the south which has taken on much of Hong Kong's light manufacturing industry where Canadian companies lack extensive experience," says Anne Argyris, Trade Commissioner responsible for south China at the Commission for Canada in Hong Kong. "Canadian business is more active in the north where there's heavy industry, an area in which Canadians have expertise," says Argyris.

However now, says Argyris, the Guangdong authorities want heavy industry and better infrastructure in order to support their economy and transport their goods to markets in China and overseas. "What they need is what we produce and we're well-placed to provide what southern China needs," says Argyris, referring to Canada's expertise in transportation, telecommunications, hydro-electric production, construction, and heavy industry.

Argyris' views are echoed by Dr. David Chu, a Chinese University lecturer and co-editor of a newly released book

vital prerequisite for attracting foreign investment and modernizing the economy. Northern Telecom, which has been active in China since 1972, has been manufacturing private branch exchange systems in Guangdong since 1988. The telecommunications company is currently negotiating a massive joint venture in Guangdong to manufacture telephone switching systems to service all of China.

The rapidly changing market in Guangdong and the deregulation of prices and industries means that companies have to continually adjust their focus and strategies.

Canpotex, a Saskatchewan potash company, opened an office in Hong Kong in



Zeidler Roberts' 130 Room 4 star hotel for Lippo China Group in Taiti City, Fujian Province

called *Guangdong - Survey of a Province Undergoing Rapid Change*. Chu says that heavy industries are required to meet the increasing infrastructure needs of the region and to ensure the supply of raw materials for light industry. He predicts that once heavy industries are established, the Guangdong economy will continue to grow at annual double digit levels for the next decade.

One Canadian company that is set to take advantage of infrastructure development in south China is the architecture firm of Zeidler Roberts. Through the firm's association with a Hong Kong company, Zeidler has quickly landed several architectural projects in China. Among these is a commercial/residential project in Guangzhou and a hotel in Fujian.

Telecommunications infrastructure is a

August 1993 to protect its existing market in China. With 25 per cent of their offshore sales going to China, company executives became concerned when they began to lose market share.

"The rules change from month to month, so we're here trying to keep up with this," says Howard Cummer, Managing Director for Canpotex (Hong Kong) Limited. "Our priority is to try and understand how the market is changing."

The increased Canadian attention to this new market has not been missed by major Canadian banks. Both the Bank of Montreal and the Bank of Nova Scotia opened up representative offices in Guangzhou last year in order to report on trade and finance activities and to service their clients who have shifted their investments to southern China.